



Anika Reports Second Quarter 2021 Financial Results

Revenue growth of 24% year-over-year

Company raises full year revenue growth outlook to 11-14%

BEDFORD, Mass., Aug. 05, 2021 (GLOBE NEWSWIRE) -- [Anika Therapeutics, Inc.](#) (NASDAQ: ANIK), a global joint preservation company in early intervention orthopedics, today reported financial results for its second quarter ended June 30, 2021.

Second Quarter 2021 Financial Summary

- Revenue in the second quarter of 2021 was \$38.1 million, 24% higher year-over-year, compared to \$30.7 million in the second quarter of 2020, on recovery from initial COVID impact.
 - Joint Preservation and Restoration revenue of \$11.9 million, up 79%
 - Joint Pain Management revenue of \$24.3 million, up 9%
 - Other revenue of \$1.9 million
 - Joint Preservation and Restoration represented 31% of total revenues, compared with 22% last year, highlighting the continued transformation of the business.
- Gross margin was 55%, reflecting \$3.8 million of acquisition related expenses and \$2.1 million of product rationalization charges. Adjusted gross margin¹, excluding these charges, was 70%.
- Net income was \$6.5 million, or \$0.45 per diluted share, compared to net loss of \$7.7 million, or \$0.54 loss per diluted share, in the prior year. Net income this quarter benefited from a reduction in the value of contingent consideration of \$9.8 million, net of tax, or \$0.67 per diluted share. Adjusted net income¹ for the quarter was \$1.4 million, or \$0.09 per diluted share, compared to \$1.2 million, or \$0.09 per diluted share, in the prior year.
- Adjusted EBITDA¹ for the quarter was \$6.1 million, compared to \$5.6 million for the second quarter of 2020.
- Operating cash flow was \$4.3 million; cash balance of \$97.2 million.

¹ See description of non-GAAP financial information contained in this release.

Recent Operational Highlights

- Performed first surgical procedure with Anika's WristMotion® Total Wrist Arthroplasty System as part of its limited market launch. WristMotion is an exciting addition to Anika's product portfolio, preserving motion and native anatomy in patients with arthritic wrist joints. Full nationwide market launch is planned for Fall 2021.
- Received 510(k) clearance for a reverse shoulder implant system. This foundational clearance sets the stage for the development and expansion of our shoulder implant portfolio in the future.

Cheryl R. Blanchard, Ph.D., Anika's President and CEO, commented, "We are pleased with our second quarter revenue growth as elective procedures continued to recover from the initial COVID impact. We are making significant progress in our business transformation but still view the impact of COVID as a headwind. We continue to expect double digit revenue growth in 2021, with stability in Joint Pain Management and strengthening in Joint Preservation, and we remain on track toward our 2024 goal to double revenues off our 2019 base."

Fiscal 2021 Outlook

The Company expects its overall revenue for fiscal year 2021 to grow 11-14% year-over year, up from its previous guidance of 10-13%. This growth is driven by Joint Preservation and Restoration growth of upper 20% to low 30% range with mid-single digit growth in Joint Pain Management. Other revenue is expected to be down

low to mid-single digits for the year.

There remains continued uncertainty in the global market associated with the impact of the COVID pandemic, and the Company's outlook for fiscal 2021 is subject to changing dynamics associated with COVID including vaccine distribution, COVID variants and other related developments.

Conference Call Information

Anika's management will hold a conference call and webcast to discuss its financial results and business highlights today, Thursday, August 5, 2021 at 5:00 pm ET. The conference call can be accessed by dialing 1-866-269-4262 (toll-free domestic) or 1-856-344-9206 (international) and providing the conference ID number 2579568. A live audio webcast will be available in the Investor Relations section of Anika's website, www.anika.com. A slide presentation with highlights from the conference call will be available in the Investor Relations section of the Anika website. A replay of the webcast will be available on Anika's website approximately two hours after the completion of the event.

Non-GAAP Financial Information

Non-GAAP financial measures should be considered supplemental to, and not a substitute for, the Company's reported financial results prepared in accordance with GAAP. Furthermore, the Company's definition of non-GAAP measures may differ from similarly titled measures used by others. Because non-GAAP financial measures exclude the effect of items that will increase or decrease the Company's reported results of operations, Anika strongly encourages investors to review the Company's consolidated financial statements and publicly filed reports in their entirety. The Company presents these non-GAAP financial measures because it uses them as supplemental measures in internally assessing the Company's operating performance, and, in the case of Adjusted EBITDA, it is set as a key performance metric to determine executive compensation. The Company also recognizes that these non-GAAP measures are commonly used in determining business performance more broadly and believes that they are helpful to investors, securities analysts, and other interested parties as a measure of comparative operating performance from period to period.

Adjusted Gross Margin

In Q2 2021, adjusted gross margin is defined by the Company as adjusted gross profit divided by total revenue. The Company defines adjusted gross profit as GAAP gross profit excluding amortization of certain acquired assets, the impact of inventory fair-value step up associated with our recent acquisitions and non-cash product rationalization charges.

Adjusted EBITDA

In Q2 2021, adjusted EBITDA is defined by the Company as GAAP net income excluding depreciation and amortization, interest and other income (expense), income taxes, stock-based compensation expense, acquisition related expenses, non-cash charges related to goodwill impairment and changes in the fair value of contingent consideration associated with the Company's recent acquisitions as a result of the COVID pandemic, and non-cash product rationalization charges.

Adjusted Net Income and Adjusted EPS

Adjusted net income is defined by the Company as GAAP net income excluding acquisition related expenses, inclusive of the impact of purchase accounting, on a tax effected basis, and the non-cash product rationalization charges. In the context of adjusted net income, the impact of purchase accounting includes amortization of inventory step up and intangible assets recorded as part of purchase accounting for acquisition transactions. The amortized assets contribute to revenue generation, and the amortization of such assets will recur in future periods until such assets are fully amortized. These assets include the estimated fair value of certain identified assets acquired in acquisitions in 2020 and beyond, including in-process research and development, developed technology, customer relationships and acquired tradenames. As a result of COVID, the Company is also specifically excluding the impacts of goodwill impairment charges and changes in the fair value of contingent consideration associated with the acquisition transactions, each on a tax effected basis. Adjusted diluted EPS is defined by the Company as GAAP diluted EPS excluding acquisition related expenses and the impact of purchase accounting, each on a tax-adjusted per share basis, and non-cash product rationalization charges. Again, the Company is also specifically excluding the impacts of goodwill impairment charges and changes in the fair value of contingent consideration associated with recent acquisition transactions, each on a tax effected basis if applicable.

A reconciliation of adjusted gross profit to gross profit (and the associated adjusted gross margin calculation), adjusted EBITDA to net income, adjusted net income to net income and adjusted diluted EPS to diluted EPS, the most directly comparable financial measures calculated and presented in accordance with GAAP, is shown in

the tables at the end of this release.

About Anika

[Anika Therapeutics, Inc.](https://www.anika.com) (NASDAQ: ANIK), is a global joint preservation company that creates and delivers meaningful advancements in early intervention orthopedic care. We partner with clinicians to understand what they need most to treat their patients and we develop minimally invasive products that restore active living for people around the world. We are committed to leading in high opportunity spaces within orthopedics, including osteoarthritis pain management, regenerative solutions, soft tissue repair and bone preserving joint technologies. Anika is headquartered in Massachusetts with operations in the United States and Europe. For more information about Anika, please visit www.anika.com.

Forward-Looking Statements

This press release may contain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, concerning the Company's expectations, anticipations, intentions, beliefs or strategies regarding the future which are not statements of historical fact, including those statements in the last sentence of the quotation from Dr. Blanchard, and in the section captioned "Fiscal 2021 Outlook" related to potential future revenues and the impacts of COVID. These statements are based upon the current beliefs and expectations of the Company's management and are subject to significant risks, uncertainties, and other factors. The Company's actual results could differ materially from any anticipated future results, performance, or achievements described in the forward-looking statements as a result of a number of factors including, but not limited to, (i) the Company's ability to successfully commence and/or complete clinical trials of its products on a timely basis or at all; (ii) the Company's ability to obtain pre-clinical or clinical data to support domestic and international pre-market approval applications, 510(k) applications, or new drug applications, or to timely file and receive FDA or other regulatory approvals or clearances of its products; (iii) that such approvals will not be obtained in a timely manner or without the need for additional clinical trials, other testing or regulatory submissions, as applicable; (iv) the Company's research and product development efforts and their relative success, including whether we have any meaningful sales of any new products resulting from such efforts; (v) the cost effectiveness and efficiency of the Company's clinical studies, manufacturing operations, and production planning; (vi) the strength of the economies in which the Company operates or will be operating, as well as the political stability of any of those geographic areas; (vii) future determinations by the Company to allocate resources to products and in directions not presently contemplated; (viii) the Company's ability to successfully commercialize its products, in the U.S. and abroad; (ix) the Company's ability to provide an adequate and timely supply of its products to its customers; and (x) the Company's ability to achieve its growth targets. Additional factors and risks are described in the Company's periodic reports filed with the Securities and Exchange Commission, and they are available on the SEC's website at www.sec.gov. Forward-looking statements are made based on information available to the Company on the date of this press release, and the Company assumes no obligation to update the information contained in this press release.

Anika Therapeutics, Inc. and Subsidiaries
Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	For the Three Months Ended June 30,		F
	2021	2020	
Revenue	\$ 38,145	\$ 30,678	\$
Cost of Revenue	17,333	16,936	
Gross Profit	20,812	13,742	
Operating expenses:			
Research and development	7,293	4,532	
Selling, general and administrative	17,989	14,550	
Goodwill impairment	-	-	
Change in fair value of contingent consideration	(13,650)	4,196	
Total operating expenses	11,632	23,278	
Income (loss) from operations	9,180	(9,536)	
Interest and other income (expense), net	(50)	(169)	
Income (loss) before income taxes	9,130	(9,705)	
Income taxes	2,599	(1,997)	
Net income (loss)	\$ 6,531	\$ (7,708)	\$
Net income (loss) per share:			
Basic	\$ 0.45	\$ (0.54)	\$
Diluted	\$ 0.45	\$ (0.54)	\$
Weighted average common shares outstanding:			
Basic	14,393	14,199	
Diluted	14,627	14,199	



Anika Therapeutics, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except per share data)
(unaudited)

	June 30, 2021	June 30, 2020
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 1,000	\$ 1,000
Accounts receivable, net	1,000	1,000
Inventories, net	1,000	1,000
Prepaid expenses and other current assets	1,000	1,000
Total current assets	4,000	4,000
Property and equipment, net	1,000	1,000
Right-of-use assets	1,000	1,000
Other long-term assets	1,000	1,000
Intangible assets, net	1,000	1,000
Goodwill	1,000	1,000
Total assets	\$ 9,000	\$ 9,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,000	\$ 1,000
Accrued expenses and other current liabilities	1,000	1,000
Contingent consideration	1,000	1,000
Total current liabilities	3,000	3,000
Other long-term liabilities	1,000	1,000
Contingent consideration	1,000	1,000
Deferred tax liability	1,000	1,000
Lease liabilities	1,000	1,000
Stockholders' equity:		
Common stock, \$0.01 par value	1,000	1,000
Additional paid-in-capital	1,000	1,000
Accumulated other comprehensive loss	1,000	1,000
Retained earnings	1,000	1,000
Total stockholders' equity	4,000	4,000
Total liabilities and stockholders' equity	\$ 9,000	\$ 9,000

Anika Therapeutics, Inc. and Subsidiaries
Reconciliation of GAAP Gross Profit to Adjusted Gross Profit
(per share data)
(unaudited)

	For the Three Months Ended June 30,		
<i>in thousands</i>	2021	2020	
Gross Profit	\$ 20,812	\$ 13,742	\$
Product rationalization related charges	2,063	1,920	
Acquisition related intangible asset amortization	1,562	1,758	
Acquisition related inventory step up	2,208	2,032	
Adjusted Gross Profit	\$ 26.645	\$ 19.452	\$

Adjusted Gross Margin

70%

64%

Anika Therapeutics, Inc. and Subsidiaries
Reconciliation of GAAP Net Income to Adjusted EBITDA
(in thousands, except per share data)
(unaudited)

	For the Three Months Ended June 30,		
<i>in thousands, except per share data</i>	2021	2020	
Net income (loss)	\$ 6,531	\$ (7,708)	\$
Interest and other expense (income), net	50	169	
(Benefit) provision for income taxes	2,599	(1,997)	
Depreciation and amortization	1,716	1,739	
Share-based compensation	2,797	2,240	
Product rationalization	2,063	2,892	
Acquisition related expenses	-	-	
Acquisition related intangible asset amortization	1,787	1,996	
Acquisition related inventory step up	2,208	2,032	
Goodwill impairment	-	-	
Change in fair value of contingent consideration	(13,650)	4,196	
Adjusted EBITDA	\$ 6,101	\$ 5,559	\$

Anika Therapeutics, Inc. and Subsidiaries
Reconciliation of GAAP Net Income to Adjusted Net Income
(in thousands, except per share data)
(unaudited)

	For the Three Months Ended June 30,		
<i>in thousands, except per share data</i>	2021	2020	
Net income (loss)	\$ 6,531	\$ (7,708)	\$
Product rationalization, tax effected	1,590	2,377	
Acquisition related expenses, tax effected	-	-	
Acquisition related intangible asset amortization, tax effected	1,356	1,529	
Acquisition related inventory step up, tax effected	1,675	1,556	
Goodwill impairment, tax effected	-	-	
Change in fair value of contingent consideration, tax effected	(9,789)	3,474	
Adjusted net income	\$ 1,363	\$ 1,228	\$

Anika Therapeutics, Inc. and Subsidiaries
Reconciliation of GAAP Diluted Earnings Per Share to Adjusted Diluted Earnings
(per share data)
(unaudited)

	For the Three Months Ended June 30,		
<i>in thousands, except per share data</i>	2021	2020	
Diluted earnings (loss) per share (EPS)	\$ 0.45	\$ (0.54)	\$
Product rationalization, tax effected	0.11	0.17	
Acquisition related expenses per share, tax effected	-	-	

Acquisition related expenses per share, tax effected	0.09	0.11
Acquisition related intangible asset amortization, tax effected	0.11	0.11
Acquisition related inventory step up, tax effected	-	-
Goodwill impairment, tax effected	(0.67)	0.24
Change in fair value of contingent consideration, tax effected		
Adjusted diluted EPS	\$ 0.09	\$ 0.09

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<https://ir.anika.com/Anika-Reports-Second-Quarter-2021-Financial-Results>